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North Korea: Foreign Aid Cushions Impact of Industrial and Agricultural Decline

During 1999 and the first half of this year, the North Korean economy appears to have avoided the steep declines characteristic of previous years.

that the North Korean economy remains moribund. food shortages have eased because of massive international food aid. P'yongyang's ability to feed its population will continue to depend on humanitarian aid, good weather, and subsidies from Seoul and China. On the plus side, trade figures suggest some export-oriented sectors of the economy are showing signs of life and that cooperation with South Korean companies is paying some dividends.

North Korea will harvest no more than 3.3 million metric tons of grain this fall because of spring drought and record-high temperatures in the country's breadbasket. The unfavorable warmth has accelerated crop development by two weeks, reducing the effectiveness of 200,000 tons of fertilizer recently donated by South Korea. In addition, North Korea will need an additional 1.4 million tons of food aid and commercial food imports next year to meet its minimum requirement of 4.7 million tons.

- Grain production will suffer if heavy flooding and unfavorably cool temperatures, often associated with the August monsoon peak, occur. North Korea's harvest last year totaled about 3.2 million metric tons of grain, down from 3.35 million tons in 1998, because of similar weather-related damage

- living conditions improved in those parts of North Korea that received significant inflows of humanitarian aid, but prolonged malnutrition remains an ongoing problem.

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Food aid deliveries of 1.1 million tons—including nearly 900,000 tons of US assistance—let the North escape famine last year, and P'yongyang likely expects aid flows to continue.

[] North Korea's trade with Japan, China, and South Korea has increased during the first five months of this year as compared to the same period in 1999, according to UN statistics.

- North Korean exports to Japan rose 31 percent to \$103 million, on increased shipments of seafood and woven apparel. Imports from Japan are running 50 percent higher than last year, with Pyongyang importing \$77 million of goods through May, including almost 3,000 passenger cars.

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- North Korean exports to China fell 22 percent to \$11 million during the first five months of this year, but P'yongyang was able to import \$136 million in goods from China during the same period, a 21 percent increase from a year ago. Imports of grain, iron, steel, plastics and machinery increased in value. Although P'yongyang spent 25 percent more for petroleum products, the quantities received decreased because of higher prices.
- Exports to South Korea increased 43 percent to \$54.3 million. North Korean imports from South Korea increased 15 percent to \$91 million, in part due to increased fertilizer aid. The majority of South Korean exports consist of aid-in-kind or materials for inter-Korean economic projects.

[REDACTED] North Korea continues to profit from its dealings with South Korean companies motivated by a desire to support Seoul's engagement policy and earn the goodwill of the South Korean public.

- P'yongyang has earned \$282 million in payments from Hyundai since the beginning of 1999 for allowing the company to stage tourist visits to Mount Kungang.

[REDACTED]

- Hyundai has also built a 10,000 seat athletic arena in the North Korean capital as a gift to Kim Chong-il. Another South Korean company provided free of charge a \$4 million electronic scoreboard, according to press.

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APPENDIX A: [] Economic Indicators

[] South and North Korea in 1999

	South Korea	North Korea ¹
GDP (PPP Estimate in 1999 US\$)	\$625.7 billion	\$22.6 billion
GDP per capita	\$13,300	\$1,055
GDP Growth	10.7 percent	1 percent
Population ²	46,884,800	21,390,000
Land Mass	38,026 square miles	46,544 square miles
Key Resources	coal, tungsten, lead, graphite, molybdenum	coal, tungsten, lead, magnesite, zinc, iron ore, hydropower

[] North Korean Economic Developments, 1995-1998

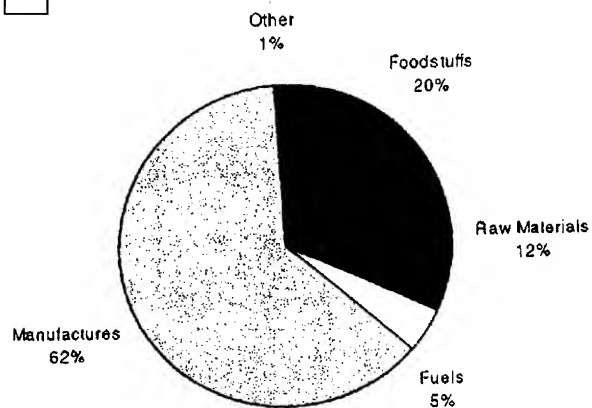
	1995	1996	1997	1998
GDP (PPP Estimate in 1999 \$USB)	\$24.6	\$23.6	\$22.0	\$21.8
GDP per capita	\$1,150	\$1,100	\$1,030	\$1,025
GDP Growth	-4.6	-3.7	-6.8	-1.1
Population	21,550,000	21,510,000	21,330,000	21,230,000

¹ Estimates of economic activity in North Korea [] For the past three decades, P'yongyang has published virtually no statistics and the occasional figure produced by the North Korean press is highly suspect.

² Population numbers as reported by the US Bureau of the Census. []

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[] Composition of North Korean Exports, 1998



[] North Korean Exports by Destination, 1998

